

TAB

TAB A

VOLUNTARY CONTRIBUTIONS REQUIRED FOR AN EMPLOYEE
TO RECEIVE AN ANNUITY BETWEEN AGES 55-60 EQUAL
TO THAT OF EMPLOYEE RETIRING AT AGE 60

1. General

- a. The Retirement Act, as amended, enables an employee to retire at age 55 with 30 years' creditable service. For each full month that he is under age 60, his basic annuity is reduced $\frac{1}{4}$ of 1%.
- b. The two formulae for computing C.S. annuities are as follows:
 - (1) Salary under \$5,000
Average salary (five highest consecutive years)
X 1% plus \$25 X years of creditable service.
 - (2) Salary over \$5,000
Average salary (five highest consecutive years)
X $1\frac{1}{2}\%$ X years of service.
- c. The formula for computing the amount of annuity purchased by voluntary contributions varies according to the age of the employee at retirement. The maximum amount of contributions which an employee can make is 10% of the total basic pay received since 1 August 1920.

(1) <u>Age of Employee at Retirement</u>	<u>Annuity Per \$100 Contributions</u>
55 years and younger	\$7.00
56	\$7.20
57	\$7.40
58	\$7.60
59	\$7.80
60	\$8.00

- (2) The amount increases an additional 20% per \$100 contributions for each year the employee is over age 55.

2. Example 1

a. Assumptions

- (1) Average salary for five highest consecutive years = \$8,360
 (2) Age 55 and 30 years' service

b. Basic annuity

$$\$8,360 \times 1\frac{1}{2}\% = \$125.40 \times 30 \text{ (years' service)} = \$3,762$$

c. Contributions Required

Age	(1) Annuity at Age 60 & 30 Yrs' Service	(2) Annuities Between Ages 55-60 & 30 Yrs' Service After Reduction	(3) Difference Between (1) and (2)	(4) Vol. Contribs. Required to Offset Diff. in (3)
60	\$3762			
55		\$3198	\$564	\$8057
56		\$3311	\$451	\$6264
57		\$3423	\$339	\$4581
58		\$3536	\$226	\$2974
59		\$3650	\$112	\$1436

d. Interest Accruals

- (1) Voluntary contributions earn 3% interest compounded annually.
 (2) The following examples illustrate the approximate amounts required to provide an annuity for an

employee retiring at age 55 (referenced in table immediately above) if the contributions earn interest for selected periods:

\$6950 at 3% interest = \$8055 in 5 years

\$6000 at 3% interest = \$8058 in 10 years

\$4450 at 3% interest = \$8037 in 20 years

3. Example 2

a. Assumptions

(1) Average salary for five highest consecutive years = \$4900

(2) Age 55 and 30 years' service

b. Basic annuity

\$4,900 X 1% = \$49 / \$25 = \$74 X 30 (years' service) = \$2220

c. Contributions Required

Age	(1) Annuity At Age 60 & 30 Yrs' Service	(2) Annuities Between Ages 55-60 & 30 Yrs' Service After Reduction	(3) Difference Between (1) and (2)	(4) Vol. Contribs. Required to Offset Diff. in (3)
60	\$2220			
55		\$1887	\$333	\$4757
56		\$1954	\$266	\$3694
57		\$2020	\$200	\$2703
58		\$2087	\$133	\$1750
59		\$2153	\$ 67	\$ 859

d. Interest Accruals

The following examples illustrate the approximate amounts required to provide an annuity for an employee retiring at age 55 (referenced in table immediately above) if the contributions earn interest for selected periods:

\$4100 at 3% interest = \$4752 in 5 years

\$3550 at 3% interest = \$4768 in 10 years

\$2625 at 3% interest = \$4741 in 20 years